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Accounting System for Retail Chain Meat Markets

By T. F. PHILLIPS
Sterling Food Markets Ltd., Vancouver

(Before Vancouver Chapter, December 12, 1933)

THE accounting system covered by this explanation is one that we have devised for use in the accounting of the Sterling Food Markets Limited, a company operating sixty-six units throughout British Columbia and Alberta. Forty-two of these markets are in, or near to, Vancouver and the balance are in the smaller towns of the two provinces. This system of accounting has now been in use by us for some time and we have found it to be very satisfactory.

COMMODITIES HANDLED

The usual commodities handled in a meat market are of a perishable nature. This fact, together with the difficulty found in costing of individual meat cuts, makes it very essential that a careful merchandise inventory be taken once a week and a weekly trading statement taken to show exactly how each market is operating.

GENERAL ACCOUNTING

The accounting for our company, is somewhat the reverse to that most usually practiced. We deal with the total first, and then break the totals up so as to record the individual markets. Our accounting also seems more abstract than is usual in that a large proportion of our expenses are provided for by reserves or estimates, rather than by taking the actual cost for each week or month. These reserves are reconciled periodically during the year and adjusted to actual payments at the end of the year.

In reviewing this accounting system, we shall divide the subject into four headings: Stock-taking, purchasing, selling and expense.

STOCK-TAKING (See form 1)

Stock is taken each Saturday night at every market, at as near as possible to the cost price laid down at the market.

On our stock report you will see the different items are grouped together for quick checking either by the market manager or at the office.

At the end of the stock report you will see the item, "C.O.D.'s". With us a C.O.D. sale is not a sale until the money is collected. In taking stock we presume that this stock (that is the uncollected C.O.D.'s) has not left the market and we price this on our stock at the estimated cost price rather than the amount of the unpaid C.O.D.'s.

We shall first take up the headings of purchases, sales and expenses in combined totals, treating the entire store system as one, and carrying everything through to our combined synoptic, and then we shall go back and make the individual market records.

PURCHASES

Practically all our merchandise is bought in the dressed state and mostly from government inspected packing plants. Only at a few points do we buy the livestock and have it dressed ourselves.

In connection with the record of cash purchases, we turn to form 2, the weekly report made out by the manager at each market. Under the heading of "Cash paid out, merchandise," the manager placed the

daily total of merchandise bought at the market and paid for in cash. The total only is quoted in this column, but daily receipts are enclosed along with the weekly report. The total of these cash purchases is carried forward and accumulated on form 6. This gives us the total of cash disbursements for merchandise for the week at all of the markets.

We next turn to form 3 which is made out by each market manager and forwarded once a week to the office along with all invoices of unpaid purchases made during the week. Listed in the first column and the first half of the second column are the purchases made from the different wholesalers. To this total is added the purchases the market makes from our other branches. We deduct from the sum total of these two any returns made to the wholesalers and we also deduct sales made to our other branches, bringing the total down to a final net total of all unpaid purchases at that market.

Turning now to form 4, we see how these unpaid purchases are accumulated to one grand total of all unpaid merchandise purchases at all branches for the week. On this report each market's purchases are recorded on one line, recording only the total of purchases made from each wholesaler. In the first column is placed the total before reckoning the transfers between branches. In the next two columns are entered all purchases from other markets and the sales to other markets, working along to the net total for each market, which agrees with the net total shown on form 3. The net total column must agree in total with the amount in the first column because sales that are made from one branch to the other are both charged and credited at the same time for the same amount. We then have the net total ready for the synoptic of all unpaid merchandise purchases at all markets for the week and in turn we also have the full total to the credit of each wholesaler, as shown by the individual wholesalers' column. We then make one entry through the synoptic to the debit of merchandise and the credit of the purchase ledger and post the individual totals to the credit of the individual wholesalers' accounts, which we carry in an ordinary purchase ledger. This completes everything in connection with purchases.

SALES

We now turn to the subject of sales.

Our sales are mostly made direct to the consumer, and are made either on a cash, C.O.D. or credit basis.

Cash sales are the sales which are made and paid for immediately and must be rung up in the cash register at once, ringing up the full amount of the sale in one operation.

C.O.D. sales are sales made on the understanding that they be paid for on delivery. Any that are not paid for on delivery and are still outstanding at the week end are added to the stock at a discount as previously explained. We discourage the having of unpaid C.O.D. balances as much as ever possible but it is an evil that it does not seem to be practical to entirely eliminate. C.O.D. sales when collected are rung up in the cash register as cash sales.

Turning next to the subject of credit sales, we come to something needing rather more study than that of cash or C.O.D. sales. With our local markets, through our affiliation with our Credit Bureau, we are able to have all applications for credit passed at the office before credit is extended. We extend credit only to approved credit risks. At our country markets we must leave the opening of credit accounts to the discretion of our local manager, but we insist on definite credit

terms. All credit sales are taken over from the markets to the office at a discount, this discount in turn to take care of bad debts, collection expenses, etc. With our local markets the charge slip duplicates are sent to the office and the full record kept at the office. With our country markets the manager keeps a record of the charge accounts on the duplicate monthly statement system, bringing forward the balance unpaid from month to month. After carrying forward the balance to the next month, he forwards the duplicates of the previous month's accounts to the office, where they are put through our regular sales ledger.

As far as monthly statements to our customers are concerned, we consider the period up to the last Saturday of the month as one month. In order to balance our weeky recaps. of charge sales with our total charges for the month, we send out our statements up to the last Saturday in the month. In this way we have two months of four weeks each and then one month of five weeks.

Collections on account are recorded in a triplicate receipt book, one copy of which is forwarded to the office and put through our ledger. Collections are handled co-operatively between the office and the market managers. We prepare a list of the overdue accounts each month and work with the managers with regard to collections. we also send statements and letters direct from the office to the customers with overdue accounts. We have two statements and two form letters for collection purposes. The final letter is a letter from our Credit Bureau and as this letter is forwarded from the Bureau, the account is turned over to the Bureau for collection and immediately transferred to our bad and doubtful debts.

For the purpose of accumulation of both charge and cash sales and collections on account, we turn to form 8, the figures for use on this form being taken from form 2 after same have been checked up. The totals shown then on form 8 are ready for entering all sales and collections in the synoptic. This completes the operations in connection with record of sales.

EXPENSES

We turn next to the subject of expense. Turning to form 2 we see a number of expense items paid in cash. After these have been checked, the totals for each market for the week are carried through to form 6 and the sum total of cash expenses for all markets for the week is then ready for the synoptic.

Accumulation of the expenses which are not paid for each week such as rent, light, phone, etc., is not quite so easily handled. We prepare at the first of each quarter, for use during each of the thirteen weeks of the quarter, a voucher similar to that shown on form 7. The amounts of each are based on estimated or actual passed needs. In addition to this recap. which remains the same for the quarter, there are always a number of other expenses paid through the office for the specific week, such as laundry, ice. etc. These are accumulated on a form similar to form 7A each week and the totals of the regular weekly expenses, as shown on form 7 are added to those on form 7A. The total of each line on form 7A then becomes the total of unpaid expenses for the market for that week and the total accumulated expense becomes the total of the unpaid expense for all markets for that week, which is then ready for the synoptic.

We have not yet touched on the office expenses. We do not allocate our office expenses out to the markets, but carry a separate profit and loss account for the office, taking as office income the discount on

credit sales as explained above, and any additional office income which we may receive.

Everything is now ready for the synoptic.

SYNOPTIC ENTRIES

Practically all entries in the synoptic are covered by seven vouchers:

Voucher 1, form 8, which covers sales and collections:

Voucher 2, form 9, which covers all cash received other than sales ledger collections.

Voucher 3, form 6, which covers all cash paid out.

In this connection we would mention that at every market every day, and especially so every week, the actual total amount of cash received is paid out either for purchases, expense or deposited in the bank that same week. In this way the total of cash received as shown on voucher 1, form 8, and voucher 2, form 9, must agree with the total of cash paid out as shown on voucher 3, form 6.

Voucher 4, as already explained covers the total unpaid merchandise purchases.

Voucher 5 shows the accumulation of all unpaid expense items:

Voucher 6, which has not yet been mentioned, is simply a blank form upon which an adding machine record of all cheques issued has been pasted. The cheques are first recapped under the different headings of purchase ledger, general ledger and office expense. The total of the three of which is proven by the total recap. of all cheques issued for the week.

Voucher 7, form 11, which also has not been mentioned before, is the voucher on which is recapped any office income we may receive other than discounts on credit sales.

These 7 vouchers are posted to the ordinary synoptic as shown by form 12. When these are posted to the synoptic, all the facts in connection with a complete trading report for the markets in total, will be in the synoptic.

The next step is to break up this total information and show in detail every item in connection with each market under the individual market headings.

We turn back now to form 2 and review first the market managers' weekly report as made up at the markets by them. Then we turn to form 13 on which we have accumulated, from the seven vouchers referred to above, the total purchases, total sales and total expense for each market. The total expense and also the pay roll have already been fully detailed on form 15 and form 14 and the detailed recap. proven with the total expense shown on form 13.

Retaining this form 13 in front of us, we turn to form 16 and record on form 16 (each market having one form 16 which carries the record of that market for six months) the totals from form 13 and complete on both form 13 and 16 the report as to cost, gross profit and net on both forms at once, and at the same time check these figures with the market managers' figures as shown on form 2.

CLOSING OF BOOKS AND QUARTERLY REPORTS:

We close our books at the end of each group of thirteen weeks which we treat as a quarter of the year, instead of taking the three calendar months as the quarter.

We post our synoptic totals to the ledger once a quarter and close our general ledger accounts into the profit and loss account quarterly,

the same as is customary in most of books annually. We then make up the quarterly report, consisting of:

First —the ordinary balance sheet
Second—the accumulation of the weekly trading totals (see form 17)
Third —the accumulation of the individual market quarterly trading totals (see form 18)
Fourth—list of total expenses for all markets (see form 19)
Fifth —record of the expenses grouped under general headings as shown by form 20
Sixth —review of credit sales and collections, showing collection percentage (see form 21).

This review, while omitting a number of minor details, fairly well covers our accounting system. This system of accounting we consider has some advantage. By centralizing the accounting instead of having it done at the various places, we have a complete prompt check up on everything in connection with credits and collections and we have a complete and immediate oversight of any change of expenses and also an oversight of all buying at every market.

While this system at first seems a little complicated, once it is in operation we find it really operates with a considerable saving of labor and other expenses and gives the management a much better control than the usual system. You will observe that we have no individual synoptics for the different markets and that we have no individual balance sheets for the different markets. As already pointed out, all accounts whether of the asset or liability nature or referring to the trading operations are carried at the office in one account instead of each market having an account for same. At the same time we do not lose sight of the profitableness or otherwise of the individual market.

VALUE OF THIS ACCOUNTING SYSTEM FROM AN AUDITING VIEWPOINT

From an auditing viewpoint the accounting system described above seems to us to practically enable us to conduct an internal audit at the same time as the accounting is done.

The cash on hand at any given time cannot be wrong more than a few dollars as the deposit made Monday morning cleans up the cash to Saturday night with the exception of just a few dollars allotted to the manager to be kept on hand for making change.

Collections on account cannot be retained by the market manager to any great extent for two reasons. The receipts come into us every week and the number of same are checked and if a receipt is enclosed belonging to the previous week it would be immediately noticed. The other reason is that we send statements to the customers who have overdue accounts with the requests that they notify the office of any error.

Our purchase record audits itself, as the wholesalers purchase ledger account must agree with the recap statements received from the wholesaler before cheque is issued. Also when we write up the market trading statement, the total of purchases which have been accumulated through our cash purchase record and our unpaid purchase record must agree with the market manager's weekly report.

A very close check can be kept on the market merchandise inventories owing to the fact that stock is taken on the same day each week and according to the volume of business done at the market, we can estimate very closely how much stock should be on hand.

ACCOUNTING SYSTEM FOR RETAIL CHAIN MEAT MARKETS

FORMS

Form	1	Stock on hand	
"	2	Weekly market reports	
"	3	Market unpaid purchase report	
"	4	Office recap. of unpaid purchases	(Voucher 4)
"	5	Cash disbursements	(Voucher 3)
"	6	Regular weekly expense	
"	6A	Expense not paid in cash	(Voucher 5)
"	7	Recap. of sales and collections	(Voucher 1)
"	8	Sundry cash received	(Voucher 2)
"	9	Record of cheques issued	(Voucher 6)
"	10	Office Income	(Voucher 7)
"	11	Synoptic	
"	12	Weekly recap. of market trading reports	
"	13	Pay roll	
"	14	Analysis of expense	
"	15	Trading report (Individual Markets)	

QUARTERLY REPORT

"	16	Recap. of weekly totals of trading
"	17	Recap. of market quarterly totals of trading
"	18	Recap. of total expense
"	19	Market quarterly expenses group under main headings
"	20	Monthly credit sales, collections and percentage

(Forms accompanying this address are condensed and reproduced on pp. 72-83 of this issue.)

THE TREND OF PRODUCTION COSTS

Commodity prices as measured by the Dominion Bureau of Statistics index number which is based on the year 1926, rose from 69.0 in December to 70.6 in January. The following is a comparison by main groups:

	Jan. 1933	Dec. 1933	Jan. 1934
Foods, beverages and tobacco	59.5	67.2	69.1
Other consumers' goods	76.7	77.4	77.6
All consumers' goods	69.8	73.3	74.2
Producers' equipment	87.7	87.2	86.5
Building & construction materials	75.8	80.7	83.3
Manufacturers' materials	51.1	58.6	60.5
All producers' materials	55.5	62.6	64.6
All producers' goods	58.8	65.1	66.8
All commodities	63.9	69.0	70.6

The principal declines in January were in the following: Vegetable oils, eggs, solder, sulphur, asbestos, soaps. The principal advances in January were in: Fresh fruits, grains, flour and milled products, tea &c., vegetagles, furs, live stock, meats and poultry, milk and its products, raw cotton, raw wool, wool yarns, wool blankets, lumber and timber, wire, silver, glass, plaster, lime, paint materials.

Form 1.

WEEKLY STOCK SHEET

Market No. .... Week Ending ....

FRESH MEAT STOCK				PROVISION STOCK			
Lbs.	Article	Cost	Amount	Lbs.	Article	Cost	Amount
	Beef				Brought Forward		
					Bacon		
	Lamb						
	Cooked Meats				Pork		
					Veal		
					Eggs		
	Offal				Offal		
					Butter		
	Fish				Outstanding C.O.D.		
	Carried Forward						
	TOTAL				GRAND TOTAL		

Form 2.

WEEKLY REPORT

Market No. .... Week Ending ....

Charge Sales	Collections	Total No. of Customers	Register Reading	Cash Sales	Cash Over	Cash Short	Paid Out Mdse:	Paid Out Expense	Bank
	Mon:								
	Tues:								
	Wed:								
	Thurs:								
	Fri:								
	Sat:								
	TOTAL								

Amount of Cash kept on hand for change $——————

TRADING REPORT

Total Charge Sales for the Week
Less 5% ————
Total Cash Sales for the Week ————

Total Sales for Week

Stock First of Week
Total Purchases ————
Total
Stock End of Week ————
Total Net Cost of Merchandise Sold ————
Gross Profit
Expense ————
Net Profit ————

Gross Profit % of Sales ————

REMARKS:—

....
Manager's Signature

Form 3.

UNPAID PURCHASES

Market No. .... Week Ending ....

Date	Invoice No.	Wholesale	Amount	Date	Invoice No.	Wholesale	Amount
						Brought Forward TOTAL	
				Plus Purchases from other Markets No.		Amt. TOTAL	
				Less Returns to Wholesalers		TOTAL	
				Less Sales to other Markets No.		Amt.	
	Carried Forward					TOTAL NET TOTAL	

Form 4.

RECAP: OF UNPAID MERCHANDISE PURCHASES

Week Ending ....

Mkt. No.	Total Before	Transfer	Net Totals	Alberta Meat Co:	Assoc: Dairies	Becker & Co:	Burns & Co:
	Transfer	Dr: Cr:					

Form 5.

CASH DISBURSEMENTS

Week Ending ....

Mkt:	Mdse:	Expense.	Bank	Sundry	

Form 6.

REGULAR WEEKLY EXPENSE
(Not Paid In Cash)

Light	Power	Fuel	Market No:	Total	Advertising	Auto Deprec:	Plant Deprec:

Form 6(a).

SPECIFIC WEEKLY EXPENSE
(Not Paid In Cash)

Market No:	Total	Laundry . .	Saw-Filling	Ice . .	Saw-Dust	Auto Expense	

Form 7.

WEEKLY RECORD SALES & COLLECTIONS

Market No.	Charge Gross	Sales Disc:	Net	Cash Sales	Collections

Form 8.

SUNDRY CASH RECEIVED

Week Ending ....
PURCHASE LEDGER ____________
GENERAL LEDGER ____________

Form 9.

RECORD CHEQUES ISSUED

Week Ending ....

(Heading for Form 9)

Form 10

OFFICE INCOME

Week Ending ....

(Heading for Form 10)

Form 11

SYNOPTIC

Date	Detail	Gen. Ledger	Purc. Ledger	Sales Ledger	Mdse.	Cash	Office Income	Expense Mkts.	Expense Office	Bank

Form 12

RECAP: MARKET TRADING REPORTS

Week Ending ....

Mkt. No.	Stock First of Week	Purchases	Stock End of Week	Cost	Sales	G. P.	%	Expense	Net

Form 13.

PAY ROLL

Date	Wages	1% Tax	R.E.A.	Med. Aid					

Form 14

ANALYSIS OF EXPENSE

Date	Advertising	Bad Debts Reserve	Bank Int. & Excha'ge	Coll. & Legal Charges	Deprec. Autos	Deprec. Plant	Delivery Expense	Delivery License	Delivery Plant Repairs	Light	Power	First Aid	Fuel	Garbage	Ice & Am'onia	Insur-Autos	Insur-Plant etc

Int. other Than Bank	Lamps	Laundry	Pay Roll	Postage	Rent	Repairs except Delivery Plant	Saw-Dust	Saw Filling	Soap, Cleaner etc	Scale Inspec.	Stationery	Sundries	Taxes	Telep. & Teleg.	Trade License	Water	Total

Form 15

TRADING STATEMENT

Week Ending	Purchases	Cost of Mdse. Sold	Sales	Gross Profit	Gross % of Sales	Expenses	Net Profit	Stock end of Week	No. of Cus.	Remarks

Form 16

COMBINED MARKETS WEEKLY TRADING REPORT

Week	No. of Mkts.	Sales	Gross Profit	G.P. of Sales	Expense	Net
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
Total						

OFFICE WEEKLY TRADING REPORT

Week	Gross Profit	Expenses	Net
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
Total			

Form 17

INDIVIDUAL MARKETS QUARTERLY TRADING REPORT

Mkt.	Sales	Gross Profit	%	Expense	Net

Form 18

TOTAL EXPENSE ALL MARKETS

Item	Markets	Office
Advertising		
Bad Debts Reserve		
Bank Interest & Exchange		
Collection & Legal Charges		
Depreciation on Autos		
" " Plant		
Delivery Expense		
" Plant Repairs		
" License		
Light		
Power		
First Aid		
Fuel		
Garbage		
Ice & Ammonia		
Insurance Autos		
" Plant, etc.		
Interest other than Bank		
Lamps		
Laundry		
Matches		
Pay Roll		
Postage		
Rents		
Repairs		
Sawdust		
Sawfilling		
Soap, Cleanser, etc.		
Scale Inspection		
Stationery		
Taxes		
Telephone & Telegrams		
Trade License		
Water		
Travelling Expenses		

Form 19

EXPENSE—% OF SALES

Mkt.	Total	%	Wages	%	Rent	%	Sundry	%

Form 20

CREDIT SALES & COLLECTIONS

			Coll. %
Balance Fordwarded—Last Quarter			
Collections	4 Weeks	Ending ....33..	
Charges	"	"	
Collections	"	"	
Charges	"	"	
Collections	"	"	
Charges	"	"	

Accountants and the National Recovery Act

By C. OLIVER WELLINGTON

(An address delivered at the annual meeting of the American Institute of Accountants at New Orleans, October, 1933. Reprinted from The Journal of Accountancy).

THE national industrial recovery act and its administration have a three-fold interest to professional accountants. First, as citizens we must follow closely any movement which so greatly affects business and the welfare of the nation; second, in our professional capacities we shall be called upon to help trade associations in developing uniform cost-accounting systems and in "policing" under the codes and trade-practice agreements; and, third, our advice will be sought by clients as to what they should do for their own best interests in reference to various activities and proposals under the act.

Recently, some one who was rather disgusted with the situation, stated that the initials N. R. A. stood for "Nuts Running America." While many of us are far from satisfied with the act, and particularly some features of the administration of the act, I believe a better meaning to us of the initials N. R. A. is "New Responsibilities for Accountants."

Reasons for the Recovery Act

It will perhaps help to a clearer understanding of the present situation if we review briefly some of the events leading up to the passage of the recovery act. It was undoubtedly the intention of the administration and congress to improve the rather serious business and social condition of this country. Any discussion as to causes of the depression reminds me of the tale of the three men who were arguing as to which profession was the oldest. The doctor mentioned the story of a rib having been taken from Adam and turned into a woman, Eve, and asserted that this operation was the earliest example of professional work. The engineer, however, pointed out that the Good Book referred to the world having been made in six days out of chaos, and that this, the most wonderful engineering feat ever recorded, proved that the engineering profession was the oldest. But the banker settled the argument by merely asking the question, "Who created chaos?"

The bankers are blamed for much of the trouble which we have been through, and undoubtedly must share a considerable portion of responsibility, but some of it at least must be laid at the door of management engineers and cost accountants. Many of these men, in advising individual manufacturing clients, have pointed out that an increase in volume of production and sales beyond a certain point would very substantially increase the net profit. Many so-called "stop-loss charts" have been devised, showing a point at which the production has absorbed all the overhead or burden cost, and beyond which any production and sales at prices above direct material and labor represented clear profit. With such a chart it was very easy to demonstrate mathematically that the client was well advised to take an increased volume of business at any price greater than direct

material and labor, as the regular business had already absorbed the total burden.

This type of argument appeared sound on the surface, but those making the argument and those applying it to actual business failed to reason out the effect of cutting prices to get the increased volume. There often was an immediate gain but in nearly every case it was merely temporary. Competitors who saw an increasing share of business going to the concern which cut prices promptly met the new prices, and usually went one step further, so that the final result was practically the same volume of business being done by all concerns in the industry but all of them selling at a loss instead of a profit.

Volume not a Cure-all

Unfortunately this idea, that volume in itself is a cure-all, still prevails. The president of one of the large New York banks within a year stated that the farmers needed better prices in order to cure their ills, but that the manufacturers did not need better prices but merely increased volume. The facts coming under my observation, were quite the contrary. Manufacturing prices in general were then so low that an increase in volume would merely increase the total loss, and to save the manufacturing situation there must be a definite improvement in the price level.

Some years ago I was privileged to see a clear illustration of the results of the policy of attempting to get volume irrespective of price. An accounting firm was employed to develop a uniform cost-accounting plan for a group of paper mills, making similar products. One mill out of the group had made a slight profit in the depression year of 1921, when all the other mills showed losses. In response to inquiries to determine the cause, the treasurer said that the mill had four paper machines and, with the dropping off in business at the end of 1920 and the beginning of 1921, the company saw it would be impossible to get satisfactory business in sufficient to run the mill at full capacity. Accordingly, the management of this mill decided that it should become a two machine mill. The people in charge would forget that they had the other two machines. They would work out a careful budget of operating expenses based on running two machines and, computing costs on that basis, would refuse to take any business the price for which did not at least equal the cost.

The result of this policy was that, by considerable sales effort, they were able to obtain sufficient business to run the two machines most of the time, and they ended the year 1921 with a very slight profit. On the other hand, those mills that attempted to run all their paper machines full time all the year lost money, and those that tried the hardest to run full time lost the most money, in some cases running up into millions of dollars.

If all the mills in this industry had looked the situation in the face and refused to make sales below cost, while the carrying charges for unused capacity would undoubtedly have kept the profit near a minimum, there would have been no large losses. The policy they did follow of trying to run full time and pushing on to the market a greater tonnage than could be consumed under the then current business conditions left a heavy inventory hanging over the market, which had to be used up before prices could get back to a reasonably profitable basis. This policy of attempting to run full time not only caused large losses in 1921 but carried the losses forward and reduced the opportunity for profit in the two succeeding years.

Attitude of Salaried Executive

Another cause of the bad business situation is the increase in the operation of the larger companies by "hired men," who have little or no ownership in the business. A man who is running a business which he owns is vitally interested in net results, but a man who is merely hired on a salary naturally attempts to make a showing in his particular job. For example, the sales manager properly considers it his job to get sales. If he succeeds and the company still loses a large amount of money, he can always blame the failure to earn net profits on the high costs in the factory.

In addition to the foregoing causes for the bad business situation, the great expansion in plant capacity during the war period caused many manufacturers to break into new markets in the hope of utilizing part of this capacity. This served to unsettle the price situation in industries which otherwise might have continued to operate at some profit. Improvement in the situation in many trades, which might have been made by co-operative action, was restrained or prevented by fear of action on the part of the government under the Sherman or Clayton acts.

The Sherman anti-trust act, as its name implies, was an attempt to prevent the large trusts from crushing the small individual competitor. It was never intended by congress to restrain business men in a trade from agreeing on reasonable trade practices to stop unfair competition, but unfortunately such ideas have been read into it by court decisions. The Clayton act, of a much later date, prohibits various means of restraining competition. The tendency of both these acts and decisions under them has been to prevent business men from joining together to improve trade conditions in their industry.

Political Considerations

In considering the national industrial recovery act, it is very important to bear in mind that this is a political law. While it is true that all laws are political, this one is especially so. Moreover, it is an attempt to serve two purposes in one act.

The country was faced with a large number of men out of work and very low rates of wages being paid to those who were at work in many industries; and it seemed essential, if we were to live through this coming winter without serious social disturbances, to develop a plan for unemployment relief. On the other hand, most businesses had for a year, or two years, been operating at a loss, and business was properly clamoring for some relief or some change in the situation whereby it could, on the average, operate at a profit. The first purpose, unemployment relief, led to the introduction of the Black thirty-hour bill, and the second purpose to agitation for the repeal of the Sherman and Clayton acts, in order to allow business to stop by itself some of the unrestrained competition which these laws not only encouraged but required. The recovery act, therefore, attempts to carry out both purposes: to give unemployment relief through shorter hours and generally higher wages, and on the other hand to give employers the opportunity of combining through trade associations to stop ruthless competition and endeavor to restore each industry to a profitable basis.

The recovery act has gone a long way in the right direction in suspending temporarily the action of the Sherman and Clayton acts, not only allowing business men to develop proper trade practice agreements for a whole industry, but providing, through the licensing section of the recovery act, for the assistance of the government in enforcing these trade practice agreements. With proper adminis-

tration, this act can go far in correcting some of the competitive evils that have grown in intensity since the world war.

The way of presenting the movement to the general public, however, can be adversely criticized on account of the fact that the administration has put the cart before the horse—it has attempted to put results ahead of causes. The administration has stressed shorter hours, higher wages and greatly increased costs of production, at the same time requesting business men not to increase selling prices. Considering the fact that most businesses have been operating for two years at substantial losses, we may wonder where the administration expected the business men to find the money with which to pay these increased costs.

The business man who fails to be carried away by "ballyhoo" and insists on keeping his business going, is really rendering the greatest service to the country, as his failure would throw more people out of work. It is not the spectacular addition of employees here and there that improves the whole situation, but a more general and widespread increase of employment which come only with an improvement in business conditions.

Profits for Business are Essential

Fundamentally the emphasis must be on profits. No business man will enter into a transaction, buy materials or employ labor unless he believes by so doing he will make a profit. He may be incorrect in his judgment, and the result of the operation may show a loss rather than a profit, but at the outset he hoped for and planned to make a profit. I realize that during the temporarily depressed conditions a man may consciously transact business at a loss in order to keep a nucleus of his organization together pending the restoration of more normal conditions, but such an expedient can only be undertaken during a temporary depression and for a comparatively short duration of time.

Granting that the stimulating force for business and an increase of business is the hope of making profits, we see that the way to improve conditions is to help and encourage the making of profits. A manufacturer does not discharge employees on whose labor he makes a profit, but on the contrary will add to his payroll and keep on adding as long as he can make and sell goods at a profit. On the other hand, if he can not sell goods at a profit, he will either discharge workmen or reduce wages, or both, to reduce cost so that the goods that are made can be sold at a profit. If he can not carry this process, plus a saving in expenses, to the point where he does make a profit, he will eventually have to go out of business, throwing all his employees out of work.

The efforts of the administration, therefore, should be devoted to helping to change trade conditions from a point where transactions result in losses to a point where transactions result in gains, as every gain, no matter how small, builds up a fund out of which further expenditures can be made, further transactions undertaken and more labor employed. We need not worry about excessive profits, as the normal forces of competition will keep these down in practically every instance; and a large share of really excess profits can properly be taken by the government through taxes.

It is perhaps unnecessary for me to point out that the continuation of the capitalistic system is dependent upon the operation of businesses at a profit. We know that any one concern can operate at a loss for only a comparatively short period before it must cease entirely, but perhaps we do not realize fully that the welfare of the

nation is affected by the profit or loss of individual concerns. It is only through the accumulation of profits of thousands of businesses, at a very large total of profits in excess of losses, that the nation as a whole can continue. The business man who makes a profit, not only helps himself but helps the nation. On the other hand, the man who makes losses, not only hurts himself but does double damage, as he also makes it more difficult for his competitors to transact business at a profit.

Selling Below Cost

There are three general causes for selling below cost: (1) ignorance of costs, (2) the desire to attract profitable business through the offer of one or more outstanding articles below cost, and (3) an intention to make low prices so as to drive competitors out of business, in the hope of recouping the losses through higher prices after the competitors are gone.

Whichever one of these three causes may be controlling in a certain case, the result is economically bad for the nation. From the standpoint of the good of the whole country, it is much more reasonable to prohibit by law the selling below cost than to restrain so-called "profiteering." High profits in themselves are good for the whole nation rather than bad, and these high profits can very fairly and properly be made the means of raising part of the heavy taxes that are required at the present time and will undoubtedly be required for the next ten years. The excess-profit taxes, that we formerly had, yielded large sums to the United States treasury up to 1920, and an excess-profits tax at the present time at a much higher rate than 5 per cent. would undoubtedly be popular.

Opportunity for Self-Government

Considering these fundamentals which will prevail as long as we have a capitalistic system and allow any freedom of action to the individual man, we can see that the greatest force for good in the recovery act is the encouragement given trade groups to govern themselves, eliminate unfair and unjust competitive practices, and put the whole industry on a profitable basis. The repeal of the Sherman and Clayton acts would have been of considerable help in this same direction; but the N. R. A. movement, if properly directed, can go further, through its authority to compel all members of an industry to conform to a reasonable code of fair competition. Competition is not eliminated, but it is put on a higher plane, whereby the industry as a whole makes some return on the capital invested. It is this feature of the N. R. A. movement which is most hopeful and valuable, and it is the one that must be emphasized and helped by all intelligent business and professional men.

Another feature of the administration of the recovery act which seems open to considerable opposition, is the handling of the labor situation. Although it is always true that there are increases in strikes when a country begins to recover from a depression, the wave of rather serious strikes which we have seen recently has undoubtedly been stimulated by the false ideas which the recovery administration has spread or at least has allowed to be spread.

While in most cases business men are willing to work in close co-operation with the present heads of organized labor, the history of labor unions in this country and others gives little assurance that, when the unions once have full control, the present leaders will not be deposed in favor of those much more radical, who can be elected to office by promising all kinds of impossible things. Few intelligent executives object to high wages and good working conditions, but

they do object to unreasonable operating rules set by the union, which unfairly increase costs.

During recent years the federal trade commission has held numerous trade-practice conferences at which business men have joined together to work out plans for the good as a whole industry, especially in restraining unfair competition through unsound methods of doing business. There were 52 conferences held by the commission in the period from October, 1928, to January, 1932. Under the laws in force prior to the recovery act, however, neither the federal trade commission nor the trade associations could go very far in correcting a bad price situation. In general, the federal trade commission considered as an unfair trade practice, "the selling of goods below cost with the intent and with the effect of injuring a competitor, or where the effect may be substantially to lessen competition or tend to create a monopoly or unreasonably restrain trade." Selling below cost in itself was not an unfair trade practice but, to make it unfair, a definite intent or effect had to be proven.

No Fixed Definitions

Under the recovery act, many of the codes already filed go much further than the federal trade commission practice conferences and make it an unfair trade practice to sell below cost. In stating this general policy, there is a great diversity of ideas and especially of wording. The administration so far has not attempted to establish any standard wording on this subject, but appears to be interested primarily in having each group agree within itself. Some of the code provisions refer to "reasonable cost," others to "cost to the seller," "base price having regard to cost of manfacturing," "current weighted average cost of production," and still others to a "reasonable cost of production and distribution." One code refers to "cost as determined without any subterfuge in accordance with sound accounting practice." Several provide for no sales below cost, several mention a return on the capital invested as one item of cost, and some refer similarly to the use of plant facilities as an item of cost. Some provide for a cost determined on an average basis or an "average weighted cost," and some also provide that no sales shall be made below cost plus a reasonable profit. The attitude of the administration appears to be rather generally opposed to any provision requiring a profit above cost and to any determination of costs on an average basis, but the theory of prohibiting sales below the individual cost of each business unit seems to have substantial support.

With this development of codes and trade practice agreements under the codes it is especially important to know what is cost. There is here a great responsibility and opportunity for accountants to work with individual clients, trade associations and the federal administration to guide along sound lines the thoughts and the wording of any agreement. It seems to me that it is especially important that any reference to cost must be to a total delivered cost. Any consideration of cost which is limited to "cost at the plant," "manufacturing cost" or some similar phrase will defeat the purposes of the agreements, which are, fundamentally, to put the business as a whole on a profitable basis and to prevent one company from injuring not only itself but the whole industry by selling below its cost. Cost should be the total cost delivered to the customer, and no item of cost or expense should be allowed to be overlooked.

After an agreement is designed to cover total cost, there is still much work to be done. The total cost means little in actual practice unless a company is making merely one product. If, as in the average

case, there are several products, it is necessary for the industry to agree upon the best method of allocation of the costs and expenses to the different products made and sold. I can not emphasize too strongly that no one method of allocation can be arbitrarily used to fit all expenses in one company or one industry and, especially, that no general plan can be applied to several industries. It is essential that each trade develop a uniform cost accounting plan which is sound in principle and practical in operation, so that under it cost elements will be handled by each company in the same way, costs can be compared, and "policing" of costs and selling prices can be conducted in a practical manner. It is not necessary nor desirable that any two trades have exactly the same cost-accounting plan, but the way in which costs are built up should be so clearly defined that it will be possible to reconcile the costs of two or more industries, especially those which may compete with each other.

This emphasis on uniform costs obviously does not apply to uniform books, sheets, cards or other records, but only to the classification of accounts, the resulting uniform analyses of expenses and in general to the principles and methods of building up the costs.

It is hardly necessary to point out that determination of cost on a proper basis for an industry will be of great value to that industry in its contacts with labor, the government and the general public. Facts when known give a sound basis for correcting any injustices there may be, and, on the other hand, if a condition is reasonable, it will be proven so by the cost figures.

What Comprises Cost?

In helping trade associations to work out uniform cost-accounting plans, there are certain questions of principle on which there may be some difference of opinion. Shall there, for example, be included in costs, or in the cost calculations, any provision for a return on the capital used or on the plant facilities? Shall the cost as developed be actual cost or shall it be normal cost; and if the latter, shall we use as a normal a fair average of production for the industry or some other basis? Shall there be a separate classification for administrative expenses, or shall such expenses be analyzed and those that are primarily manufacturing be included with manufacturing costs, and those that are primarily selling be included with the selling costs? Shall depreciation be included on the basis of replacement values of the plant assets or on cost of the assets or some combination of the two? Shall depreciation be at uniform rates for all plants in an industry? How shall we reconcile the different practices of different concerns as to handling expenses for repairs, upkeep, etc.?

These questions are not intended to be an exhaustive list of what must be considered. They merely illustrate the kind of questions to be discussed and perhaps demonstrate that the problems of developing a proper uniform cost system for an industry are far from simple.

The attitude of many business men toward the national recovery act and its administration is influenced by the fact that this is emergency legislation. While one may point out that Great Britain has experienced an improvement in business conditions without having anything similar to the recovery act and may feel that today we would be much better off if the act had never been passed it is nevertheless true that we have gone too far to retrace our steps completely. The emergency phases of the situation will gradually pass let us hope more quickly than now seems possible, but undoubtedly the idea of restraint on unrestricted competition will continue in some

form or another and we shall continue to have greater control over business on the part of the government.

The present administration has again and again stated that many things done are frankly experimental and will be changed if they do not work, so it is obviously the part of wisdom for business men, instead of sitting on the sidelines and watching developments and criticizing lack of results, to take an active part in the movement and to influence it in the right direction. It seems to me that the recovery act gives business men a wonderful opportunity to do what they have hoped to do or endeavored to do over the last ten or twenty years, namely, exercise some control over competitive conditions in their own industry. It is now possible for each trade to govern itself in a sensible way.

The Alternative of Government Control

Unless a trade succeeds in governing itself, the administration will be forced to step in and exercise more direct control. There is nothing in the history of government control of railroads in this country or in government control of business in any country, which would lead us to look with any satisfaction on such a plan other than as a make-shift to be succeeded as promptly as possible by business control over itself. Therefore, business men are well advised to move —and to move promptly—toward exercise of that proper control through trade associations. I do not know of any activity at the present moment that can more reasonably call upon the time and energy of the principal executives of each business than assistance in building the code and trade practice agreements for their industries. They are not only in that way helping the industry toward an immediate improvement in its financial condition but are also building a sound foundation for the future.

It is not necessary for business men to wait for the acceptance of a code by the administration before putting into effect the trade-practice agreements for the industry. If sound trade-practice agreements are developed and receive the approval of a large majority in the industry, they can by mutual consent be put into effect immediately, with the knowledge that if they are sound they will eventually be approved by the administration and if not they can be amended at a later date. Too many business men are making the mistake of holding off and deferring the benefit they could have now through trade-association activity. They are waiting for the administration to push action on the code and then further push them to do what they should be eager to do for themselves without any pressure from the administration.

We should urge all clients who are not in a trade association to join one, or to form one if there is none already formed, and to work effectively to strengthen the association and make it active and aggressive in the interest of its members. We must emphasize the fact that the government will look after the interests of labor and of consumers, but business men must look after themselves.

Our clients must have in mind that an unreasonable increase in operating costs and resulting selling prices may drive the whole industry out of competition. We must remember that the government can not control the consumer. He will buy what he desires. If the price of coal is pushed too high, people will heat their houses by oil or gas. There are very few products for which substitutes can not be found if the price goes too high. It is, therefore, essential that each industry watch its own problems carefully and refuse to be driven into a situation where all or a majority of its members

will have to close down, throwing large numbers out of employment.

It is particularly important that our clients be not unduly influenced by the publicity that is sent out from Washington. Catchy phrases of high-priced publicity men can not change sound economic laws. It is only as the profits exceed the losses that the nation can go ahead, and these profits must be profits made by thousands of individual business. We need not worry about excessive profits, as immense sums will be required for taxation, and unreasonable profits in any one industry quickly invite increased competition.

Many features of the N. R. A. movement are fundamentally sound and will prevail after the present ballyhoo is ended. Without a doubt greater government control of business is far from a temporary policy. It will probably continue for many years. Realizing this, it is the duty of business and professional men to lend their influence to steer this movement in the right direction and to see that the maximum permanent benefit is obtained, not only for each individual concern and for each trade association but for the country at large.

TARIFF and TAXATION

TARIFF BOARD

The Tariff Board, sitting on Appeals, on the 6th February, 1934, under the provisions of Part II of The Tariff Board Act, ruled, on the same date, as hereunder:—

In the matter of Appeal No. 31 by Shanahan Chemicals Limited, Vancouver, respecting the tariff classification of Kemtac Corn Flour: Appeal dismissed.

Ottawa, 6th February, 1934.

The Tariff Board, sitting on Appeals, on the 6th February, 1934, under the provisions of Part II of The Tariff Board Act, ruled, on the 9th February, 1934, as hereunder:—

In the matter of Appeal No. 32 by Lever Brothers Limited, Toronto, from the ruling of the Department of National Revenue that Drums containing Crude Glycerin are dutiable: Appeal dismissed.

Ottawa, 10th February, 1934.

DEPARTMENT OF NATIONAL REVENUE

Rulings Arising from Tariff Board

The Department of National Revenue has issued for the guidance of Customs officers, under date February 22, 1934, the following summary of decisions of the Tariff Board on appeals under the provisions of Part 2 of the Tariff Board Act:

AT THE SITTING ON THE 13th JULY, 1933

Appeal No. 4 (Customs file No. 179482)

In the matter of the Appeal by Nerlich & Co., Limited, Toronto, that Celluloid Dolls be held to be of a class or kind not made in Canada.

Ruling on the 18th August, 1933: "Appeal dismissed."

Appeal No. 5 (Customs file No. 178621)

In the matter of the Appeal by Princess Pat Products, Toronto, that Hair Nets and Slumber Nets be rated for duty under Tariff Item 565.

Rulng on the 13th July, 1933: "That the commodities embraced within this Appeal shall be dutiable under Item 565."

Appeal No. 7 (Customs file No. 179498)

In the matter of the Appeal by Rubinovich and Haskell, Montreal, that "Imco" Lighters be held to be of a class or kind not made in Canada.

Ruling on the 13th July, 1933: "Appeal dismissed."

AT THE SITTING ON THE 19th SEPTEMBER, 1933

Appeal No. 8 (Customs file No. 179512)

In the matter of the Appeal by Mudge, Watson and Company, Limited, Montreal, that Weftless Tying-Up Tape should be classified under Tariff Item 542a and not under Tariff Item 532.

Ruling on the 19th September, 1933: "Appeal dismissed."

Appeal No. 9 Customs file No. 179513)

In the matter of the request of the Department of National Revenue, Customs Divison, for a ruling on the tariff classification of Fire Brick used in certain installations.

Ruling on the 18th October, 1933: "Fire Brick used in boilers of plants for generating electricity for sale, and, Fire Brick used by artificial ice companies for use in the boilers of such plants for the production of steam to operate compressors in the making of artificial ice for sale, is entitled to entry under Tariff Item 281a."

"The Board is of the opinion that a furnace for producing heat to be applied to water for the purpose of supplying steam for the heating of buildings in the bona fide carrying on, as a business in itself, of the business of selling heat, and not merely the disposal by a building owner of excess steam beyond his own requirements, is a 'furnace . . . . . of a manufacturing establishment' within the meaning of Tariff Item 281a, and declares accordingly. This declaration is to come into effect upon the date of publication thereof in the Canada Gazette." (Published in the Canada Gazette, the 28th October, 1933).

AT THE SITTING ON THE 20th SEPTEMBER, 1933

Appeal No. 11 (Customs file No. 179773)

In the matter of the Appeal by The Hatchwear Company, Calgary, that the cotton fabric called "Woolainette" be held to be of a class or kind not made in Canada.

Ruling on the 20th September, 1933: "Appeal dismissed."

AT THE SITTING ON THE 21st SEPTEMBER, 1933

Appeal No. 13 (Customs file No. 179790)

In the matter of the Appeal by Art Electric Construction, Toronto, that Electric Air-cooled Fans should not be dutiable under Tariff Item 427 in respect to the machinery and 445g in respect to the motor.

Ruling on the 21st September, 1933: "Appeal dismissed."

AT THE SITTING ON THE 22nd SEPTEMBER, 1933

Appeal No. 12 (Customs file No. 179771)

In the matter of the Appeal by Johnston Allen & Company, Limited, Lurgan, Ireland, complaining of the ruling of the Commissioner of Customs contained in Memorandum No. 585, Supplement "A," dated the 10th December, 1932, amending the ruling of the Commissioner of Customs contained in Memorandum 585, dated the 5th November, 1932—item 540 (b) fixing rates of duty on articles wholly of flax or hemp such as sheets, pillow cases, table cloths and napkins, towels and handkerchiefs.

Ruling on the 22nd September, 1933: "Declared not to cover importations of such articles if the same have been embroidered with cotton. This declaration to come into effect on the 20th November, 1933." N.B.—See Memorandum No. 706, dated 27th November, 1933, re Tariff Item 540 (b).

AT THE SITTING ON THE 13th OCTOBER, 1933

Appeal No. 14 (Customs file No. 179772)

In the matter of the Appeal by the Canadian Automobile Chamber of Commerce, Toronto, against a ruling of the Customs Department, viz., that free-wheeling units, when used in the manufacture of the goods enumerated in Tariff Items 438a and 438b, are a part of the Transmission within the meaning of Tariff Item 1055, Proviso (2).

Ruling on the 18th October, 1933: "Appeal dismissed. Declaration that free-wheeling units when used in accordance with the provisions of Proviso (3) to Tariff Item 1055 are subject to the drawback specified in said Proviso."

AT THE SITTING ON THE 30th OCTOBER, 1933

Appeal No. 16 (Customs file No. 180367)

In the matter of the Appeal by Mr. L. A. Wilmot, Customs Consultant, Montreal, that bifurcated rivets (so-called), of iron or steel, be rated for duty under Tariff Item 430 and not classified under Tariff Items 446a or 362.

Ruling on the 31st October, 1933: "Appeal dismissed."

Appeal No. 18 (Customs file No. 180386)

In the matter of the Appeal by Bret. Pliske, Toronto, that the aircraft known as "Aeronca C-3" be held to be of a class or kind not made in Canada.

Ruling on the 30th October, 1933: "Appeal dismissed."

AT THE SITTING ON THE 12th DECEMBER, 1933

Appeal No. 20 (Customs file No. 180445)

In the matter of the Appeal by Bain, Wilson and Maynard, Customs Consultants, Ottawa, against a ruling of the Department under which certain importations of tinplates, entered at Customs on the 13th July, 18th July and 11th August, 1933, were ruled of a class or kind made in Canada and as such dutiable under Tariff Item 383 (b) and subject to the special or dumping duty under Section 6 of the Customs Tariff Act.

Ruling on the 16th December, 1933: "Mundet Cork and Insulation Limited of Toronto having imported Tin Plate in three shipments, one from the United Kingdom and two from the United States after the first day of June, 1933 and before the first day of September, 1933, and, having paid duty to the Department of National Revenue under Tariff Item 383 (a) and received delivery of goods, and, the Department of National Revenue having subsequently required an amended entry and payment of duty under Tariff Item 383 (b) instead of under Tariff Item 383 (a), and in addition a Special or Dumping Duty demanded as payable under the provisions of Sertion six of The Customs Tariff Act; and, a difference having thereupon arisen between the Department of National Revenue and the said Mundet Cork and Insulation Limited as to the rate of duty payable on the class of goods so mported by Mundet Cork and Insulation Limited, the Board declares:—That the rates of duty payable on the class of goods so imported at the times of the passing of the entries are the rates payable under Tariff Item 383 (a) and that such goods so imported are exempt from further Customs Duties Special or otherwise."

Note:

Information on file in the Department indicates that The Cana-

dian Tinplate Company, Limited, Sarnia, Ontario, were in production of tinplates on the 12th December, 1933. The above decision of the Tariff Board is interpreted as meaning that from the 13th July to the 11th December, inclusive, 1933, tinplates and tinned sheets were of a class or kind not manufactured in Canada. Tinplates and tinned sheets are held to be of class manufactured in Canada on and after the 12th December, 1933.

CHAPTER NOTES

MONTREAL

Reported by R. Schurman, C.A., secretary.

There was a very large attendance of members and friends present on Friday evening, January 26th, to hear Professor Lucien Favreau, C.P.A., Professor of Accountancy, Ecole des Hautes Etudes Commerciales de Montreal. The subject of the address by Professor Favreau was "Inventory Valuations and Hedging."

The paper was exceedingly interesting and instructive, and the speaker explained that he hoped the manner in which he dealt with the subject would bring out a full discussion from the members. It will be published in "Cost and Management."

The discussion was led by our old friend, Lorenzo Belanger, and by Professor R. R. Thompson of McGill Accountancy Department. Professor Thompson in his remarks, gave a brief but clear summary regarding the inclusion of inventories in the Balance Sheet and Profit and Loss Account, as follows:

1. In order to show the true gross profit on the cost of the purchases or the cost of manufacture, material and goods should be kept at cost entirely in the trading statement.
2. In order that inventories may appear in the balance sheet appraised at either market or cost, whichever is the lower, in the event of market price being lower than cost, a charge should be made to the general operating account (profit and loss) and a reserve for market fluctuations raised. This reserve will be adjusted year after year through the general operating account.
3. If before the accounts are finally prepared, but subsequent to the close of the periods under review, there is a heavy drop in inventory values, conservative finance requires that this should be provided for by the setting aside of profits earned during the period thus closed.

At the close of the lecture Professor Thompson expressed the thanks of the meeting to the speaker, in Frnch, and was congratulated by Professor Favreau for his eloquence.

TORONTO

Reported by Scott Fyfe, assistant secretary.

The Toronto Chapter meeting on February 23 was, as predicted, one of the most enjoyable of the current season. Mr. Denton Massey outlined in a most comprehensive way the operation of an advertising agency, and his comments, particularly as regards radio advertising,

were both interesting and beneficial. Some idea of the interest shown may be gathered from the fact that although the meeting concluded shortly after nine, Mr. Massey eluded his last questioner at approximately ten thirty o'clock.

The next meeting is one to which may of the members have been looking forward all year. Messrs. G. Appleton of The Toronto Hydro-Electric System, E. J. Tucker, of the Consumers Gas Co. of Toronto, W. McNeill of the Bell Telephone Co. of Canada, and J. G. Coulthard, of the Toronto Transportation Commission, will each give a summary of the accounting and costing problems of public utilities. The responsible positions which these men occupy in their respective companies is sufficient indication of the calibre of the talks on March 21st.

CENTRAL ONTARIO

Reported by W. A. McKague, general secretary.

Members of Central Ontario Chapter had a small but enjoyable meeting at the Walper Hotel, Kitchener, on February 21, when they heard K. M. Horton, of Cosmos Imperial Mills, Ltd., Hamilton, and vice-charman of Hamilton Chapter, give a practical talk on "Process Costs in the Textile Industry." The writer, who is filling in on the secretarial duties for Central Ontario, owing to the untimely removal of Mr. C. B. Taylor from Galt, and "pro tem," until a competent local member can be induced to take over the job, was negligent in missing the February meeting, but has direct word from Chairman Earnshaw that it was a success in quality if not in quantity.

On March 22, Central Ontario, meeting at Galt, will hear from E. W. Carpener, late of Consolidated Industries, Ltd., Toronto, who will have a message about the "economics" of Cost accounting. Mr. Carpenter has conducted a cost accounting class for two seasons and therefore should know his way through or around any such subject. We can also hope for a little more lenient weather from this time on, which will make it easier for members and their friends to get out.

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